

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 15, 2006

The Honorable Anthony A. Williams
Mayor
District of Columbia
John A. Wilson Building, Suite 221
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Vincent B. Orange, Sr.
Chairman, Committee on Government Operations
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 107
Washington, D.C. 20004

Dear Mayor Williams, Chairman Cropp, and Chairman Orange :

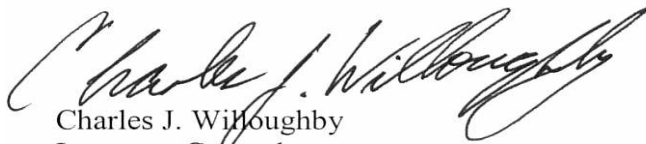
In April 2000, when the Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71) became effective, the Office of the Inspector General's (OIG) enabling statute was amended to require that the OIG comply with Generally Accepted Government Auditing Standards, which require an external quality control review (peer review) every 3 years. A peer review is generally conducted by individuals in a similarly situated professional environment. To meet this District requirement, the OIG has joined the National Association of Local Government Auditors (NALGA).

On March 2, 2006, representatives from NALGA completed a peer review of the OIG's Audit Division. I am pleased to report that the Audit Division received an unqualified opinion from the peer review team. The peer review covered the period January 1, 2003, through December 31, 2005. I am enclosing the external quality control review report prepared by NALGA that details the results of its review.

I also received a companion management letter of the same date that noted areas where this Office excelled and also included suggested improvements that will increase the value of this Office. Specifically, the report showed that the OIG Audit Division has a competent, qualified, and experienced staff, and that its Audit Handbook thoroughly addressed policies and procedures. In addition, it was noted that the audit work was documented in a comprehensive and well-organized manner and that we had established an extensive and effective quality assurance function.

If you have questions, please contact me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

Enclosure

CJW/cf

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March 15, 2006
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National Association of Local Government Auditors

March 2, 2006

Mr. Charles J. Willoughby
Inspector General
Government of the District of Columbia
Office of the Inspector General
717 14th Street, N.W.
Washington, D.C. 20005

Dear Mr. Willoughby,

We have completed a peer review of the Government of the District of Columbia, Office of the Inspector General, Audit Division for the period January 1, 2003 through December 31, 2005. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, by the National Association of Local Government Auditors (N.A.L.G.A.).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Government of the District of Columbia, Office of the Inspector General, Audit Division's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2003 through December 31, 2005.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Eduardo Luna
City of San Jose, CA

Sonia Montano
City & County of Denver, CO

Russell Needler
City of Austin, TX



National Association of Local Government Auditors

March 2, 2006

Mr. Charles J. Willoughby
Inspector General
Government of the District of Columbia
Office of the Inspector General
717 14th Street, N.W.
Washington, D.C. 20005

Dear Mr. Willoughby,

We have completed a peer review of the Government of the District of Columbia, Office of the Inspector General, Audit Division for the period January 1, 2003 through December 31, 2005 and issued our report thereon dated March 2, 2006. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Employs experienced, competent and qualified staff.
- Has engaged in projects that are intended to make a substantial contribution to the efficiency, effectiveness and accountability of local government in the District of Columbia.
- Has developed a thorough policies and procedures manual (Audit Handbook) for use by staff and management.
- Documented audit work in a comprehensive and well-organized manner.
- Established an extensive and effective quality assurance function, which includes independent reviews.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to government auditing standards:

- Establish a process to ensure the Inspector General's compliance with Continuing Professional Education (CPE) requirements is documented. This process should include tracking and documenting the Inspector General's CPE hours earned. (GAS 3.45)

- The Office has shown improvement in assessing the validity and reliability of data from computer-based systems. In 2005, the Technical Directorate performed an internal quality assurance review on data reliability requirements and the Government Accountability Office (GAO) provided staff training on the issue. However, the Audit Handbook references data reliability testing by directing auditors to follow GAO guidance. The Office could better document assessing data reliability requirements by establishing a separate section in the Audit Handbook that deals with specific testing requirements. (GAS 7.59)
- Although project monitoring by audit management was evident in the planning and reporting stages of the audits, it is important to follow established policies for ongoing supervisory review of workpapers to ensure compliance with standards. (GAS 7.47, 7.66, 7.68)
- The Office has a process for documenting auditor independence. Audit staff and directors are required to complete an independence form that specifically references GAS 3.03. Audit management review and approve the form. Annually, Audit management completes financial disclosure forms. The audit management should also complete independence forms that reference GAS 3.03.
- The Office has strong organizational independence. The Office reports to the Mayor and the City Council and four Congressional Committees. The Office budget is approved by the U.S. Congress. However, the Office needs to develop policies and procedures in the Audit Handbook for addressing and resolving external impairments to auditor independence. (GAS 3.19, 3.20).

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Eduardo Luna
City of San Jose, CA



Sonia Montano
City & County of Denver, CO



Russell Needler
City of Austin, TX